RECEIVED FEDERAL ELECTION COMMISSION

2018 APR 16 PM 3: 42 FEDERAL ELECTION COMMISSION 1 2 999 E Street, N.W. 3 Washington, D.C. 20463 CELA 4 FIRST GENERAL COUNSEL'S REPORT 5 6 7 8 **MUR 6224** DATE COMPLAINT FILED: 10/27/2009 9 10 LAST RESPONSE RECEIVED: 12/1/2009 DATE OF NOTIFICATION: 11/3/2009 11 12 DATE ACTIVATED: 1/22/2010 13 EXPIRATION OF SOL: 10/15/2014 14 15 16 **COMPLAINANT:** Alberto Ramirez 17 18 RESPONDENTS: Cara Carleton "Carly" Sneed Fiorina 19 **RELEVANT STATUTES AND** 20 2 U.S.C. § 431(2) 21 REGULATIONS 2 U.S.C. § 432(e)(1) 22 2 U.S.C. § 433(a) 23 2 U.S.C. §§ 434(a) and (b) 24 11 C.F.R. § 100.72 25 11 C.F.R. § 100.131 26 27 INTERNAL REPORTS CHECKED: FEC Database 28 29 FEDERAL AGENCIES CHECKED: None 30 31 L INTRODUCTION **32** 33 This matter concerns the "testing the waters" exemptions to the definitions of 34 "contribution" and "expenditure." The exemptions permit an individual to raise and spend funds to test the feasibility of a Federal candidacy without becoming a "candidate," a determination 35 that triggers registration and reporting requirements under the Federal Election Campaign Act of 36 37 1971, as amended ("the Act"). The complaint alleges that Cara Carleton "Carly" Sneed Fiorina ("Fiorina" or "Respondent") became a "candidate" for the U.S. Senate in California on or before 38 39 September 25, 2009, and consequently failed to timely register and, through a designated

efforts or intentions to run for U.S. Senate."

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- political committee, file financial disclosure reports with the Commission. As explained below,
 we recommend the Commission find no reason to believe as to these allegations.
- 3 The complaint alleges that, by September 25, 2009, Fiorina had spent more than \$5,000, 4 the dollar threshold that triggers "candidate" status under the Act and obligatory registration and reporting requirements, and had conducted activities indicating that she had decided to become a 5 candidate. The specific activities alleged were that Fiorina had (1) spent more money than 6 reasonably needed to "test the waters" and attempted to amass funds to be used after she became 7 8 a candidate; (2) used general public political advertising to publicize her intention to campaign; 9 (3) allowed and authorized statements by media sources that referred to her as a U.S. Senate candidate and authorized statements on her website that "implied" she was a candidate; and 10

(4) conducted activities over a protracted period of time and made no effort "to disclaim her

In response to the complaint, Respondent asserts that the complaint provides no evidence or facts to support claims that she exceeded the scope of the "testing the waters" exemption. See Response at 2. She states that she announced on August 17, 2009, that she would explore the viability of a possible candidacy for the Republican nomination for U.S. Senate but would not reach a decision until she completed treatment and follow-up care for breast cancer, which she expected to complete by October 1, 2009. See id. at 1. Between August 17 and November 4, 2009, when she formally announced her candidacy, she maintains that she engaged in permissible "testing the waters" activity by meeting people, sharing her views on public policy issues, and getting feedback on a potential candidacy. See id. at 1-2. She contends that she made clear during numerous public and private appearances that she had not made a decision about her candidacy. See id.

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1 Neither the limited information provided in the complaint nor publicly available 2 information supports the complaint's allegations. Although the post-complaint disclosure report 3 filed by Fiorina's principal campaign committee. Carly for California, confirms that Fiorina both raised and spent more than \$5,000 before September 25, 2009, information about Ms. Fiorina's 5 activities and statements provided in the complaint and from publicly-available sources do not 6 support a conclusion that she had decided to become a candidate before she formally announced 7 her candidacy on November 4, 2009. Accordingly, we recommend that the Commission find no

IL. FACTUAL AND LEGAL ANALYSIS

reason to believe that Fiorina violated the Act.

Factual Summary

On August 18, 2009, Carly Fiorina announced that that she had filed the name "Carly for California" with the Internal Revenue Service to obtain an employer tax identification number, an action she described as "a logical next step in the process of evaluating running" for the U.S. 14 Senate in California in 2010. Press Release, Carly Florina Begins Formal Process of Exploring 15 Bid for U.S. Senate, Aug. 18, 2009, available at http://carlyforca.com/2009/08/fiorina-exploring. 16 On October 2, 2009, Carly for California filed an initial Political Organization Notice of Section 17 527 Status Form with the Internal Revenue Service ("IRS") and described its purpose as "testing 18 the waters-possible federal candidacy." 19 Ms. Fiorina formally announced her candidacy on November 4, 2009, after the complaint 20 was filed but before she received it from the Commission on November 10, 2009. See 21 Response at 1. She filed a Statement of Candidacy on November 5, 2009, designating Carly for California, Inc. ("the Committee") as her principal campaign committee. The Committee filed a 22 Statement of Organization the same day. The Committee's initial disclosure report, filed on 23

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- January 27, 2010, reflects total receipts of \$3,584,133.68 and total disbursements of \$830,517.56
- 2 for the period of August 18, 2009, through December 31, 2009.

B. Analysis

An individual becomes a candidate for federal office – and thus triggers registration and reporting under the Act – when he or she has received or made in excess of \$5,000 in contributions or expenditures. 2 U.S.C. § 431(2). The Commission created a limited exemption to the definitions of "contribution" and "expenditure" for "testing the waters" activity, allowing individuals to conduct certain activities designed to evaluate a potential candidacy. See 11 C.F.R. §§ 100.72 and 100.131; see also Explanation and Justification for Final Rules on Payments Received for Testing the Waters Activities, 50 Fed. Reg. 9592 (Mar. 13, 1985) ("Testing the Waters E&J"); Explanation and Justification to the Disclosure Regulations, House Doc. No. 95-44, Communication from the Chairman, FEC, Transmitting the Commission's Proposed Regulations Governing Federal Elections, at 40 (Jan. 12, 1977). An individual who is "testing the waters" may conduct polls, make telephone calls, and travel to determine the viability of the potential candidacy, see 11 C.F.R. § 100.72(a); 11 C.F.R. § 100.131(a), but need not register or file disclosure reports with the Commission unless and until the individual subsequently decides to run for Federal office or conducts activities that indicate he or she has decided to become a candidate. All funds raised and spent for "testing the waters" activities are, however, subject to the Act's limitations and prohibitions. See id. Commission regulations set out five non-exhaustive factors to be considered in determining whether an individual has decided to become a candidate. An individual can indicate that she has gone beyond "testing the waters" and has decided to become a candidate by

(1) using general public political advertising to publicize her intention to campaign for Federal

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- 1 office; (2) raising funds in excess of what could reasonably be expected to be used for
- 2 exploratory activities or undertaking activity designed to amass campaign funds that would be
- 3 spent after she becomes a candidate; (3) making or authorizing written or oral statements that
- 4 refer to her as a candidate for a particular office, (4) conducting activities in close proximity to
- 5 the election or over a protracted period of time; and (5) taking action to qualify for the ballot
- 6 under state law. 11 C.F.R. § 100.72(b); 11 C.F.R. § 100.131(b).

7 Once an individual meets the \$5,000 threshold and has decided to become a candidate,

8 she has 15 days to designate a principal campaign committee by filing a Statement of Candidacy

with the Commission. See 2 U.S.C. § 432(e)(1); 11 C.F.R. § 101.1(a). The principal campaign

committee must then file a Statement of Organization within ten days of its designation, see

2 U.S.C. § 433(a), and must file disclosure reports with the Commission in accordance with

12 2 U.S.C. §§ 434(a) and (b).

1. Florina's Pre-Announcement Fundraising and Spending

The complaint alleges that on or before September 25, 2009, Fiorina spent more money than was reasonably needed to "test the waters" and was attempting to amass funds to be used after she became a candidate. See 11 C.F.R. § 100.72(b)(2); 11 C.F.R. § 100.131(b)(2). In support, the complainant points to her hiring of "notable political consultants" and "retail level staffers" to "recruit" at the September 2009 California GOP convention by selling t-shirts and baseball caps and/or collecting donations on-line. Complainant provides no factual basis for the amount of money Fiorina raised or spent except to allege that it was more than \$5,000.

The Committee's reports suggest that Fiorina's pre-announcement spending and fundraising were consistent with "testing the waters" activity. The Committee's initial disclosure report, the 2009 Year End Report, confirms that it had raised \$41,513 in itemized

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- 1 contributions and made \$5,806 in disbursements on Fiorina's behalf as of September 25, 2009.
- 2 Because the disbursement dates may not accurately reflect all expenses incurred prior to this
- 3 date, a broader examination of the Year End Report shows that the Committee had raised a total
- 4 of \$611,799.25 in itemized receipts and made \$329,176.15 in disbursements before Fiorina made
- 5 her November 4th announcement. All but \$108,463 of the pre-announcement itemized receipts
- 6 were comprised of a loan and small in-kind contributions for travel from Florina. The largest
- 7 categories of disbursements included \$91,066 for political strategy consulting; \$70,408 for
- 8 payroll and payroll insurance and taxes; \$54,935 for media/travel; \$37,072 for polling/travel;
- 9 \$32,176.75 for legal and compliance consulting; \$31,036 for finance consulting/travel; and
- 10 \$21,906 for web services. All disbursements for political strategy consulting, finance consulting.
- 11 media consulting, and legal consulting were made in mid-October or later.

With respect to the level of Fiorina's pre-announcement fundraising, the Commission has previously declined to find reason to believe that an individual went beyond the "testing the waters" exemption and became a candidate in matters where exploratory committees had raised contributions in significant amounts. See, e.g., MUR 5934 (Thompson) (Commission dismissed after a majority failed to find reason to believe where presidential committee raised \$9.52 million and spent only \$2.9 million before formal candidate announcement); MUR 5930 (Schuring) (Commission dismissed the complaint where committee raised \$194,000); MUR 5703 (Rainville) (no reason to believe where committee raised \$100,000); MUR 2710 (Judge Harvey Sloane) (no reason to believe where committee raised \$200,000). Excluding Fiorina's personal funds, the Committee raised at most \$224,496 from others during the pre-announcement period (\$108,462 in itemized contributions and all unitemized contributions), an amount insufficient by

The Committee reports receiving another \$116,033.81 in unitemized receipts, but there is no way to determine how much of that was raised before either September 25 or November 4.

- 1 itself to conclude that she had decided to become a candidate. Even the total \$611,799.25 in
- 2 funds raised that included Florina's own funds does not appear to exceed what could reasonably
- 3 be expected to be used for exploratory activities based on the Commission's decisions,
- 4 particularly for a U.S. Senate race in California, which can be expensive given the state's size
- 5 and extensive voting age population.²

Nor do Fiorina's activities suggest that she was attempting to amass funds for an eventual candidacy. Complainant alleges that Fiorina's hiring of political consultants and low-level staffers, who apparently sold t-shirts and hats at a "recruitment and information table" at the state party convention and/or collected on-line donations, evidence an attempt to amass funds to be used after she became a candidate. The Commission, however, has advised previously that hiring political consultants and soliciting contributions may be permissible "testing the water activities" if they are undertaken to explore the feasibility of becoming a candidate. See Advisory Opinion 1981-32 (concluding that hiring political consultants to assist with advice on the potential and mechanics of constructing a national campaign organization and soliciting contributions to engage in "testing the waters" activities were within the scope of the testing the waters exemption so long as the prospective candidate conducted the activities while continuing to deliberate his decision to become a candidate).

The complaint provides no information that indicates Fiorina staffers were selling hats and t-shirts or collecting on-line donations for purposes other than financing "testing the waters activities." It does not describe the hats, t-shirts, or other materials or the activity conducted at what it describes as a recruitment table, and we have found no publicly available information

In the last three U.S. Senate elections held in California in 2000, 2004, and 2006, the incumbents spent \$11.8 million, \$15.13 million and \$9.4 million, respectively. Opponents in the 2000, 2004 and 2006 elections spent \$6.67 million, \$5.35 million and \$195,000, respectively.

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- about such convention activities. Similarly, there is no available information to suggest that the consultants hired by Fiorina engaged in activities other than to assist her in exploring her
- 3 viability as a candidate for U.S. Senate. Indeed, the limited information available about Ms.
- 4 Fiorina's activities during this period suggests that her activities were within the "testing the
- 5 waters" exemption a barebones website, carlyforcalifonia.com, unveiled just before the
- 6 convention, included a mechanism to donate on-line with a disclaimer that "contributions are
- 7 raised for testing the waters purpose only at this time." Kevin Yamamura, Fiorina Launches
- 8 New Website: Twitter Account, SACRAMENTO BEE, Sept. 22, 2009. While a "testing the waters"
- 9 disclaimer alone does not assure that contributions solicited are within the exemption, the
- 10 disclaimer, taken together with the facts that Ms. Floring raised only about a third of the
- 11 Committee's pre-announcement contributions from others and spent in excess of that amount,
- 12 suggest that the level of contributions was not significant enough to indicate that Fiorina had
- decided to become a candidate before November 4, 2009.

2. General Public Political Advertising

The complaint alleges that Florina used general public political advertising to publicize her intention to campaign, citing the use of Google ads that apparently included a declaration of endorsement by former five former state Republican Party chairs. See 11 C.F.R. § 100.72(b)(1); 11 C.F.R. §100.131(b)(1). Although the Committee's disclosure reports state that she spent \$54,935 for media/travel during this period, no Google ads featuring Florina or her candidacy, including cached ads, were found in a search of publicly available information. A press release at the time of the alleged ads announced that five former California Republican Party Chairmen supported Florina "should she run for the U.S. Senste," but included a disclaimer stating that Ms.

Fiorina was "in the 'testing the waters' phase of a possible candidacy." See Press Release,

- 1 Former California Republican Party Chairmen Call Carly the Best Candidate to Take on Boxer,
- 2 available at http://carlyforca.com/2009/09/former-cro-chairmen (Sept. 25, 2009).
- The complaint also refers to public television and panel commentary appearances by
- 4 Fiorina, as well as Fiorina's "promotion" of a gathering of activists she hosted on or about
- 5 September 28, 2009, in Fresno, in which Fiorina allegedly publicized her intention to campaign
- 6 for U.S. Senate. The Fresno gathering appears to have been a cocktail reception that Fiorina
- 7 attended at the Fresno home of a businessman on September 28, 2009, the day after the
- 8 Republican state convention. See John Ellis, Fiorina Actions at Issue: GOP Candidate Skips
- 9 Convention But Then Campaigns in Fresno, FRESNO BEE, Sept. 30, 2009. Fioring also met with
- 10 farmers and ranchers on September 28 at a ranch near Coalinga, California. See id. According
- 11 to a Fiorina spokeswoman, these appearances were examples of day trips during which Fiorina
- met with donors and "policy people" and learned about the issues. See id.; see also Response at
- 13 2.
- 14 The complaint provides no information about what Fiorina may have said at either event.
- 15 Moreover, these events do not qualify as "general public political advertising," which includes
- 16 communications by broadcast, satellite or cable, newspaper, magazine, outdoor advertising
- 17 facility, mass mailings, phone banks, and Internet communications placed for a fee on another
- website, all generally requiring payment to a third-party intermediary to reach the public. Nor
- 19 have we located information that either event was publicized through general public political

³ Fiorina reportedly did not attend the state convention, apparently because she was undergoing radiation treatments

⁴ Cf. 2 U.S.C. § 431(22) and 11 C.F.R. § 100.26 (defining "public communication"); Internet Communications, 71 Fed. Reg. 18,589, 18,592, 18,594-595 (Apr. 12, 2006) (explaining that "any other form of general public political advertising" is a catch-all provision within the definition of "public communication" and that the common characteristics of the media enumerated as "public communications" were distribution of content through an entity owned or controlled by another person and payment through an intermediary to access the public through that medium).

- 1 advertising, such as mass mailings or newspaper ads in which Fiorina stated she intended to
- 2 campaign for U.S. Senate. In the absence of specific information about any statements made by
- 3 Fiorina at or in connection with those events, we cannot conclude that she had decided to
- become a candidate and was no longer testing the waters at that time.

3. Statements Referring to Floring as a Candidate

The complaint alleges that Fiorina allowed and authorized statements by media sources that referred to her as a U.S. Senate candidate and authorized statements on her website, carlyforcalifornia.com, that "implied" she was a candidate. See 11 C.F.R. § 100.72(b)(3); 11 C.F.R. § 100.131(b)(3). The complaint also generally refers to statements made on twitter.com/carlyforcalifornia and facebook.com/carlyfornia.

Again, the complaint cites no specific oral or written statements made by Fiorina or authorized by her that refer to her as a candidate for U.S. Senate before she announced her candidacy on November 4, 2009. We found no written statements made or authorized by Fiorina that referred to her as a candidate, including on the Twitter and Facebook accounts complainant references. To the extent that complainant implies that statements by media sources such as reporters or bloggers that refer to Fiorina as a candidate should be considered dispositive, we have no information that Fiorina was involved in or authorized how any media source referred to her.

The complaint alleges that the phrase "It's Carly vs. Boxer," part of a flash sequence that appeared on Fiorina's website when it was launched on or about September 22, 2009, implied that Fiorina was a Senate candidate. At that point, the website was comprised of a "teaser" flash

⁵ Accessible entries on the Twitter account and Facebook page cited begin on or after Fiorina formally announced her candidacy. As complainant does not identify the specific statements that he may have seen, there is no available information to support this allegation.

1 sequence that read as follows: (screen 1) "It's day and night;" (screen 2) "It's cats and dogs:" (screen 3) " It's Good and Bad; "(screen 4) "It's Carly vs. Boxer;" (screen 5) "Coming Soon?" 2 3 and (screen 6) "Carlyforniadreamin'!!!" The site offered visitors the option to "get involved" by 4 signing up for email and/or text updates and to donate. See YouTube: Worst Political Website 5 Ever #Carlyfornia by Carly Fiorina (video), and Kevin Yamura, Fiorina Launches New Website: 6 Twitter Account, SACRAMENTO BEE, Sept. 22, 2009. The website also apparently solicited 7 donations of up to \$2,400 from individuals and, as noted supra at p, 8, a bolded statement on the 8 site stated that "contributions are raised for testing the waters purposes only at this time." 9 Yamura, supra. This content, particularly the use of the question mark in the phrase "Coming 10 Soon?". appears consistent with Fiorina's professed intent to test the waters. The complaint 11 makes no other mention of statements on the website that refer to Fiorina as a candidate for U.S. 12 Senate. 13 One statement made during Fiorina's November 4, 2009, announcement arguably 14 suggests Fiorina may have taken actions indicating that she decided to become a candidate 15 earlier. Fioring reportedly announced her candidacy to a small gathering of supporters, stating, 16 "If it isn't obvious to you by now, let me make it official today: I am a candidate to serve you as 17 your U.S. Senator." L.A. Now, Carly Fiorina Announces her GOP Candidacy for U.S. Senate, 18 L.A. TIMES, Nov. 4, 2009, available at http://latimesblogs.latimes.com/lanow/2009/11/fiorina-19 announces-her-gop-candidacy-for-us-senate/comments/page/3 (emphasis added). That statement 20 alone, however, is insufficient to support a legal conclusion that she became a candidate before 21 November 4, 2009. See MUR 5934 (Thompson) (Commission dismissed after a majority failed 22 to find reason to believe where significant funds were raised and candidate stated, inter alia,

"You're either running or not running. I think the steps we've taken are pretty obvious.")

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Respondent acknowledges that Ms. Floring made numerous public and private appearances in connection with exploring a possible Senate candidacy but states that she clearly indicated she had made no decision to run and "conditioned her statements about [a] possible candidacy." Response at 1-2. Two documented Fiorina appearances found in Internet searches support Respondent's statements. At an appearance at the Web 2.0 Summit Dinner in San Francisco on October 20, 2009. Fiorina discussed government technology policy and a possible bid for the U.S. Senate but "said she was exploring the idea." Dean Takahashi, Web 2.0: Carly Fiorina Talks Potential Senate Run, Breast Cancer Battle, and Government Tech Policy, available at http://venturebeat.com/2009/10/20/web-20-carly-fiorina-talks-potential-senate-runbreast-cancer-battle-and-government-tech-policy (Oct. 20, 2009). In an appearance on the cable news show "Your World" in October 2009, Fioring discussed the effectiveness of federal economic stimulus legislation with the show's host as well as a possible U.S. Senate challenge against incumbent Barbara Boxer. Fiorina stated that she was "exploring a run against Barbara Boxer," and as a follow-up to the host's earlier comment about her cancer treatment and earlier polling about possible candidates in the race, she noted that she had been "quiet for almost nine months while I was dealing with an important health issue." She ended her comments by stating 17 that "if I move forward. I will move forward because I believe it's important to achieve a change in the U.S. Senate and that I have a chance of beating her, but we'll see." She did not refer to 18 19 herself as a candidate in this television appearance. See Carly Fiorina with Fox News' Neil 20 Cavuto, available at http://videos.apnicommunity.com/Video_Item_2609026500.html (last visited Mar. 20, 2010).

4. Length of Florina's Exploratory Activity

Finally, the complaint alleges that Fiorina conducted activities over a protracted period of time and made no effort "to disclaim her efforts or intentions to run for U.S. Senate and has in fact made commitments that she will be running and announcing." Again, however, the complaint does not provide specific instances where Fiorina made commitments that she would run or announce her candidacy, and the available information does not support that statement.

The complaint alleges that Fiorina became a candidate on or before September 25. The complaint has provided no specific statement or activities either before or after this date to support a conclusion that Fiorina had decided to become a candidate. The few examples of general activities provided, such as the Fresno meeting and the website discussed above, occurred in the 41-day period between September 25 and Florina's formal announcement on November 4, 2009, which does not constitute a protracted time period. *Cf.* Advisory Opinion 1981-32 (engaging in proposed "testing the waters" activities beyond a period of several months may affect the applicability of the exemption).

As for the complaint's claim that Florina failed to disclaim her "efforts or intentions" to run for U.S. Senate, the Act and Commission regulations do not require an individual to disclaim intentions to become a candidate for federal office to qualify for the "testing the waters" exemption. Commission regulations suggest only that publicizing one's intentions to run for a specific office through general public political advertising may indicate that a person has decided to become a candidate. Implicit in the concept of "testing the waters" is that a candidate will make known that she is exploring the possibility of running to "gauge the level of support that may be achieved" and to determine the viability of a candidacy." See MUR 5934 (Thompson),

1	Statement of Reasons of Vice Chairman Petersen and Commissioners Hunter, McGahn and		
2	Weintraub at 2.		
3		5. <u>Conclusion</u>	
4	Based on available information, it does not appear that Fiorina made or authorized any		
5	statements or engaged in any activity described in the "testing the waters" regulations to support		
6	a conclusion that she had decided to become a candidate for U.S. Senate and was no longer		
7	"testing the waters" before her formal announcement on November 4. Accordingly, we		
8	recommend that the Commission find no reason to believe that Fiorina violated the Act based on		
9	the allegations in the complaint.		
10	m.	RECOMMENDATIONS	
11 12		1. Find no reason to believe that Cara Carleton ("Carly") Sneed Fiorina violated the Act.	
13 14		2. Approve the attached Factual and Legal Analysis.	
15 16		3. Approve the appropriate letters.	
17 18		4. Close the file.	
19 20		Thomasenia Duncan General Counsel	
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22 23		1/16/10 Heple Jus	
24 25	Date	BY: Stephen Gura Deputy Associate General Counsel	
26		for Enforcement	
27 28			
29		1 m	
30		Julie K. McConnell	
31		Assistant General Counsel	
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MUR 6224 (Fiorina)

	First General Counsel's Report	
1 2 3 4 5 6	j 	Dawn M. Odrowski Attorney